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U.S. Demands Pose Risks for Some Allies

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The Reagan administration has been pressing many of its Third World allies to make drastic economic reforms such as those that triggered the recent overthrow of Sudanese President Jaafar Nimeri—demands that could threaten the survival of other U.S.-backed governments around the world.

The situation in Sudan was unusual in many ways, but the general pattern was typical: The International Monetary Fund (IMF) and western donor nations, led by the United States, demanded economic austerity and changes to encourage free enterprise. For economic and political reasons, the local government felt that it could not meet these demands, so aid was withheld. Finally, some austerity was imposed, but unrest mounted. In Sudan, unrest led to a military coup.

In recent months there have been signs of similar trouble that put numerous U.S. interests at risk—from the maintenance of key bases in the Philippines to the preservation of Latin American democracy to the future of Israel's government and, with it, of Middle East peace efforts.

In each case, U.S. policy makers have had to grapple with the problems of digging debt-ridden allies out of their economic quagmires without destabilizing their weak governments.

Spurred by such factors as the international debt crisis, the administration increasingly has put an economic and financial spin on its foreign policy that in many ways has become as controversial as the human rights policies of the Carter administration. Secretary of State George P. Shultz reiterated Reagan administration policy recently, declaring that developing countries "should continue to make the structural adjustments needed to stabilize their economies, reduce the economic burden of government, expand their trade and stimulate growth."

In Sudan, Nimeri's downfall came in the midst of demonstrations protesting sharp price increases for food and gasoline that he reluctantly instituted to free nearly $200 million in frozen U.S. aid. There were other factors in Nimeri's downfall: civil war involving religious and separatist differences and the efforts of neighboring Libya's radical leader, Muammar Qaddafi, to exploit them.

Nevertheless, the use of U.S. aid to pressure Nimeri into politically risky economic actions raises questions about the efficacy of American insistence on financial austerity, elimination of state controls and movement toward free-market economics. These demands have become almost as characteristic of President Reagan's foreign policy as his staunch anti-communism.

The philosophy has been given particular emphasis by Shultz, who has steered the administration away from its initial distrust of nonmilitary assistance toward the idea that aid can be a potent weapon in overhauling the world economic order.

In speeches and congressional testimony, Shultz has been a tireless critic of governments that rely "too heavily on state controls that have deadened the initiative of the small-scale farmers and businessmen who are the backbone" of Third World economies.

This attitude also prevails in the IMF and the World Bank. Washington and the two principal multinational lending institutions have worked together in pressing recipient countries to end such practices as subsidizing the prices of food and other consumer staples, and to stake their economic futures on private enterprise.

Increasingly, however, the administration has found that such a course carries the kind of built-in risks that exploded in Sudan.

"We ask [the leaders of affected countries] to do things that may be politically destabilizing, that in fact may almost ensure their destruction," a senior State Department official said. "Yet, when you look at what needs to be done, there's no choice."

In the Philippines, where the United States has important military bases, U.S. demands could threaten the ability of an unpopular government to combat a communist insurgency. American economic demands pose a threat to U.S. strategy in Central America by making a weak civilian government in Honduras more susceptible to a rightist military coup and the civilian government in Costa Rica more vulnerable to potential leftist subversion from neighboring Nicaragua.

In South America, the democratic revival praised so strongly by the administration has been dramatized most symbolically by the end of military rule in Brazil and Argentina. But both countries recently were cut off from IMF financial aid because domestic political pressures forced them to abandon unpopular reform agreements.

That has raised new questions about whether their fledgling civilian governments can strike new deals with the IMF that will avert cycles of unrest and military coup. And without the IMF's blessing, neither government is likely to be able to reschedule its huge debts with private banks.

In Peru, however, Alan Garcia, the overwhelming victor in his

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